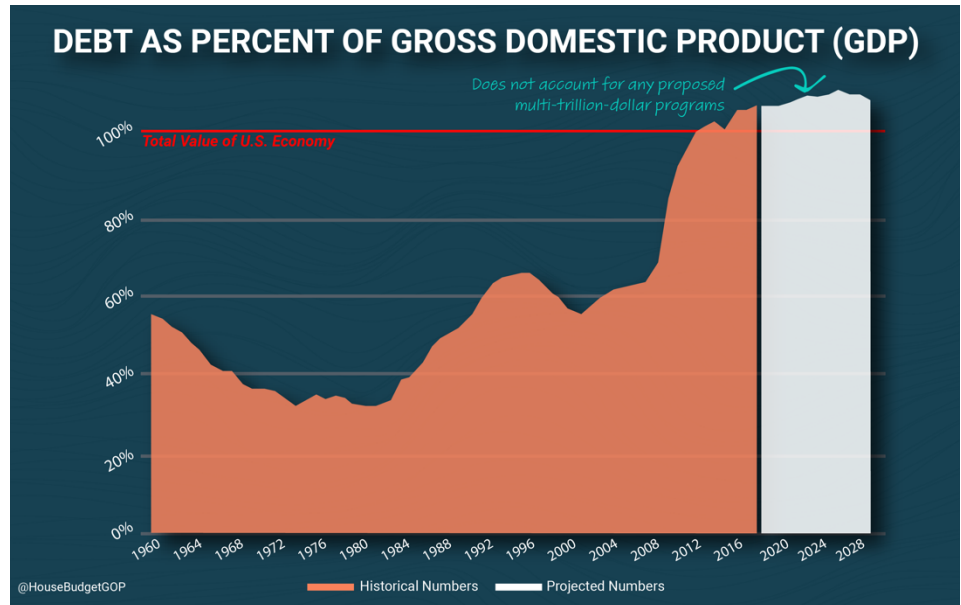


Historical Perspective on the National Debt

In 1790, the federal government inherited a debt of \$71 million.¹ Over the next two-plus centuries, the nation's debt measured as a percentage of Gross Domestic Product (GDP) – which provides context on the debt burden relative to the size of the economy – has been as low as zero percent of GDP (1835) and as high as 119 percent of GDP (1946).² Today, the national debt is more than \$22 trillion and near its peak at 106 percent of GDP.

Low Debt (1790-1930). The newly constituted federal government gradually reduced the national debt from \$71 million in 1790 to \$45 million on the eve of the War of 1812. The debt almost tripled to \$127 million during this war but declined over the next two decades. In 1835, this culminated in the temporary elimination of the national debt. The Panic of 1837 caused the national debt to be resurrected, but it stayed at minuscule levels relative to GDP until the Civil War. In 1860, the debt was \$65 million (lower than it had been 70 years prior).³ The Civil War caused the national debt to grow to the then unprecedented level of \$2.8 billion. Over the next few decades, the nation's debt gradually declined again, dropping to \$1.5 billion in 1893.⁴ From 1901 to 1930, the federal government ran 19 surpluses in 30 years. World War I caused the debt to hit another peak of \$27 billion, but after 11 successive years of surpluses debt declined to \$16 billion in 1930.⁵



Debt Accumulation During Great Depression, World War II, and Cold War (1931-1960). The Great Depression and World War II led to 16 straight deficits, including the highest deficit in American history in 1943 equal to 29 percent of GDP. Consequently, in 1946, the debt stood at \$270 billion or 119 percent of GDP – the highest level in American history. From 1947 to 1960, even with the costs of the Cold War, the federal government ran surpluses in six out of 14 years and the debt was gradually reduced to 54 percent of GDP, though it increased slightly in nominal terms hitting \$291 billion.⁶

Growing Debt (1961-Present). Since 1960, the federal government has run deficits in 53 of the last 58 years.⁷ The resulting national debt figure by decade is as follows: \$381 billion in 1970, \$909 billion in 1980, \$3.2 trillion in 1990, \$5.6 trillion in 2000, and \$13.5 trillion in 2010.⁸ In 2020, CBO projects the national debt will exceed \$23 trillion.

Future Projections. Under CBO's projections, the federal government would run a deficit every year for the next three decades. By 2049, CBO projects the debt will reach \$100 trillion or 147 percent of GDP.⁹

¹ https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo1.htm

² Ibid and <https://www.whitehouse.gov/omb/historical-tables/>.

³ https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo1.htm and https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo2.htm

⁴ Ibid.

⁵ https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo3.htm and <https://www.whitehouse.gov/omb/historical-tables/>

⁶ Ibid.

⁷ <https://www.whitehouse.gov/omb/historical-tables/>

⁸ Ibid.

⁹ <https://www.cbo.gov/about/products/budget-economic-data#1>